

## Message Text

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ACTION EB-11

INFO OCT-01 ARA-10 ISO-00 CIAE-00 INR-10 NSAE-00 RSC-01

XMB-07 OMB-01 TRSE-00 INT-08 CIEP-02 OPIC-12 AID-20

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P 182057Z OCT 73

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC PRIORITY 3984

USDOC WASHDC

LIMITED OFFICIAL USE BUENOS AIRES 7674

E.O. 11652: N/A

TAGS: EIND, ETRD, AR

SUBJECT: CY 1974 FERROUS SCRAP REQUIREMENTS FOR ARGENTINA

REF STATE 183681

BEGIN UNCLASSIFIED. 1. FOLLOWING IS BREAKDOWN OF CY 1974  
STEEL PRODUCTION BY QUARTERS (THOUSANDS OF ST'S) PROVIDED BY  
ARGENTINE STEEL INDUSTRY ASSOCIATION, CENTRO DE INDUSTRIALES  
SIDERURGICOS (CIS).

1ST Q	2ND Q	3RD Q	4TH Q	TOTAL
802.5	958.3	1020.9	1025.4	3807.1

2. FOLLOWING IS QUARTERLY ESTIMATE OF CY 1974 FERROUS SCRAP  
IMPORT REQUIREMENTS (IN THOUSANDS OF ST) ALSO PROVIDED BY CIS:

1ST Q	2ND Q	3RD Q	4TH Q	TOTAL
145.6	179.2	190.4	190.4	705.6

3. INDUSTRY UNABLE TO PROVIDE INDICATION OF SCRAP BUYING PATTERN.

4. FERROUS SCRAP EXPORTS FROM ARGENTINA CURRENTLY GOVERNED BY  
RESOLUTION NO. 3111 OF THE CUSTOMS ADMINISTRATION DATED  
23/5/72 WHICH REQUIRES APPROVAL OF DIRECCION GENERAL DE FABRICACIONES  
MILITARES FOR EXPORTS. COPY OF RESOLUTION AND LATEST DETAILED  
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FIGURES ON PLANNED CAPACITY, SCRAP SUPPLIES AND DEMAND BEING

FORWARDED BY AIRGRAM.

5. BEGIN LIMITED OFFICIAL USE. EMBASSY BELIEVES CY 1974 RAW STEEL PRODUCTION ESTIMATE UNREALISTICALLY HIGH IN VIEW OF FACT THAT IT REPRESENTS AN INCREASE OF 1.1 MILLION ST (42 PERCENT) OVER 1973 ESTIMATE, PREDICATED IN LARGE PART ON THE ASSUMPTION THAT THE SECOND BLAST FURNACE OF SOMISA, THE LARGEST STEEL FIRM, WILL BE IN OPERATION BY LATE 1973 AND THAT BOTH FURNACES WILL BE PRODUCING NORMALLY IN 1974. AS IT IS DOUBTFUL THE SECOND FURNACE WILL BE IN OPERATION BEFORE THE END OF THE 1ST QUARTER 1974, AND IT APPEARS LIKELY THE FIRST ONE WILL HAVE TO BE SHUT DOWN FOR MAINTENANCE FOR A FEW MONTHS ONCE THE SECOND ONE COMES ON LINE, PRODUCTION ESTIMATE OF APPROXIMATELY 3.3 MILLION ST SEEMS MORE LIKELY.

6. BECAUSE OF THIS SET OF CIRCUMSTANCES, SOMISA WILL CONTINUE TO REQUIRE LARGE, BUT NOT NECESSARILY INCREASED, INPUT OF SCRAP SUPPLIES TO MAXIMIZE USE OF ITS NEW CONVERTER CAPACITY IN 1974. EVEN THOUGH SOME RELATIVELY MINOR ANTICIPATED ADDITIONS TO SEMI-INTEGRATED CAPACITY OF OTHER FIRMS IN 1973 (90,000 ST'S) COULD ADD TO SCRAP REQUIREMENTS, IT IS NOT CLEAR WHY AN ADDITIONAL 212,000 ST'S OF SCRAP IMPORTS IN CY 74 OVER VOLUME REQUESTED REPEATED REQUESTED FOR CY 73 (APPROXIMATELY 492,800 ST) ARE NEEDED.

7. DESPITE FACT THAT ARGENTINE STEEL INDUSTRY IS PREDICTING 8.5 PERCENT INCREASE IN DOMESTIC SCRAP AVAILABILITY OF ABOUT 134,000 ST'S IN 74 OVER 73, FOLLOWING A MORE MODEST ESTIMATED INCREASE IN 73 OVER 72 (6.3 PERCENT/90,000 ST'S), INDUSTRY MAY FEEL THAT DOMESTIC SCRAP SUPPLIES WILL NOT ACTUALLY ATTAIN LEVELS IN EITHER 73 OR 74 INDICATED BY "OFFICIAL" CIS FIGURES, BECAUSE OF CONTINUANCE OF PRICE CONTROLS AND SPECULATIVE FORCES IN DOMESTIC MARKET.

8. EMBASSY CONTINUES TO HAVE INDICATIONS THAT 1973 DOMESTIC AVAILABILITY OF SCRAP IS DOWN BECAUSE OF PRICE CONTROLS WHICH SET LOCAL PRICE OF HIGHEST GRADES OF SCRAP (\$77 PER MT) ABOUT \$25 MT BELOW THAT PREVAILING WHEN CONTROLS INSTITUTED. DECON 10/18/74 LODGE

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